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Vestar

Richard J. Kuhle
Senior Vice President

December 22, 1995

Via Facsimile (310) 627-3109

Mr. Thomas A. Overturf
McDonnell Douglas Realty Company
4060 Lakewood Boulevard, 6th Floor
Long Beach, CA 90808-1700

Mr. Stephen J. Barker
McDonnell Douglas Realty Company
4060 Lakewood Boulevard, 6th Floor
Long Beach, CA 90808-1700

Re: 190th Street and Normandie Avenue Site
Los Angeles, California

Dear Tom and Steve:

First, I would like to thank you and Mike Russell for coming to our offices on the evening of December 7. We very much enjoyed our meeting and getting to know you. While we have not known one another for very long, our initial impression was certainly the favorable one that we could work comfortably, compatibly and constructively with you respecting the retail portion of your site.

Although we wish we had more time for preliminaries, we are both aware that time is rather of the essence in this situation. As you know, we are on the "short list" of developers being considered for acquisition and development of the adjacent Lockheed Martin site. As we explained at the outset of our meeting, we could only forego pursuing that opportunity if we were timely able to mutually commit to one another to pursue the purchase of your property. As we understand the timing of matters, that will require both of us to sign this letter—or a satisfactory modification of it—by noon on Friday, December 22. We recognize that that is a rather short time frame for both of us, but it appears that the expeditious consideration of this matter is what is required of both sides to make the transaction a feasible one.

Accordingly, let me set forth the terms upon which we would propose to acquire your property pursuant to a purchase and sale agreement ("Purchase and Sale Agreement") to be drafted as described below. At the end of this letter, I will describe the obligations we propose we each assume with respect to the transaction described.

1. Purchaser. Vestar Development Co. and/or an affiliate of Vestar Development Co. (wholly owned by the shareholders of Vestar Development Co.) and/or a nominee, which nominee must be approved by Seller, in its reasonable discretion.
2. Seller. McDonnell Douglas Corporation/McDonnell Douglas Realty Company.
3. Subject property. The subject property ("Property") consists of approximately 36 acres located at 190th Street and Normandie Avenue, Los Angeles, California, which is part of a larger site commonly known as the McDonnell Douglas C-6 Torrance site ("MD Site").

Vestar Development Co.

2425 East Camelback Rd, Ste. 750 Phoenix, Arizona 85016
(602) 866-0900 FAX (602) 955-2298

BOE-C6-0064106

4. Purchase price.

- a. Base purchase price. The purchase price for the Property shall be the product of the net square footage of the parcel multiplied by Ten and 10/100 Dollars (\$10.10). Net square footage shall be determined by an ALTA/ACSM Class A land title survey prepared by a licensed engineer and/or land surveyor per paragraph 18 (and update thereof to be completed two weeks prior to close of escrow). Such net square footage shall be calculated by excluding any portion of the property, which, as of the time of close, is located within the beds of any dedicated roads on tract map and/or tentative or final subdivision map, streets, alleyways, or any easements or rights-of-way which prevent such property from being reasonably usable for retail or related uses, such as parking or landscaping. It is recognized that items such as normal utility easements and the like do not prevent such reasonable use.

Purchaser and Seller acknowledge that Purchaser or an affiliate of Purchaser may acquire all or a portion of the adjacent Lockheed Martin site for development in conjunction with Purchaser's contemplated development of the Property. In the event Purchaser and Seller enter into the Purchase and Sale Agreement and Purchaser or any affiliated entity enters into an agreement for the acquisition of all or a portion of the adjacent Lockheed Martin site for a base purchase price per square foot or an Incremental Purchase Price per square foot or a total purchase price per square foot higher than the base purchase price or total purchase price per square foot hereunder, the base purchase price and total purchase price per square foot hereunder shall be increased to be not less than the price to be paid by Purchaser or its affiliated entity for the Lockheed Martin site.

- b. Incremental purchase price. In addition to the base purchase price, there shall be an Incremental Purchase Price as follows:
- (i) If Seller receives Incremental Purchase Price of at least \$1.90 per square foot from the sources described in subdivision c below prior to 36 months from the issuance of the initial certificate of occupancy for the Shopping Center, the Incremental Purchase Price shall be \$1.90 per square foot.
 - (ii) If Seller does not receive Incremental Purchase Price of at least \$1.90 per square foot within such 36-month period, the Incremental Purchase Price shall be \$2.90 per square foot and shall continue to be paid pursuant to subdivision c below.
- c. Sources for payment of Incremental Purchase Price. The Incremental Purchase Price shall only be payable from the following sources. The Purchase Agreement will contain provisions for securing such payment on terms reasonable to Seller and Purchaser.

- (i) Purchase price recalculation sharing. The base purchase price of \$10.10 per square foot was calculated based on pro forma projections of the land price necessary for Purchaser to obtain a return of 12% by dividing the net operating income ("NOI") of the project by total net agreed-to project costs ("NPC"). The Purchase and Sale Agreement shall contain an exhibit setting forth an agreed form of projection for calculating the land price. Two weeks prior to the close of escrow of the Shopping Center, Purchaser shall prepare a new percentage calculation by dividing the projected NOI by NPC based on the agreed form of projection employing numbers based on documented information where available (which shall be supplied to Seller) and reasonable estimates where documented information is not available. In the event such formula shows a higher than 12% return, there shall be a recalculation of purchase price by employing an increased purchase price so as to create a 12% return. The Seller shall be entitled to an increase in the purchase price equal to 50% of the difference between the recalculated purchase price and the base purchase price (i.e., the Price Increase).

It is acknowledged by Purchaser and Seller that reasonable estimates may be necessary in the foregoing equation because actual (documented) figures for income (such as some lease rates) and expense (such as certain construction costs) may not be fixed by such time. The parties will agree to a post-closing recalculation (adjustment) whereby, as of the eighteenth month anniversary of the close date, a recalculation of the purchase price is accomplished by substituting actual figures for previously used figures where actual figures exist as of such anniversary date. Fifty percent of the differences between such revised purchase price and the base purchase price shall then be compared to the Price Increase calculated pursuant to the fourth sentence of the preceding paragraph. The differential reflected by this post-closing adjustment shall be paid by the appropriate party to the other party within 90 days after such calculation is made.

- (ii) Proceeds from City. So long as the Incremental Purchase Price has not been fully paid, the Seller will receive 75% of the City payments attributable to development of the Shopping Center as described in paragraph 17. Thereafter, Seller shall receive the 50% share set forth in paragraph 17 and paid as received by Purchaser.
- (iii) Percentage rent.
- (a) Seller shall receive an amount equal to 50% of all percentage rent obtained by Purchaser from Tenant(s) during the first five years of the project after the issuance of the initial certificate of occupancy which shall be paid upon receipt by Purchaser.
- (b) Seller shall receive 50% of the percentage rent received by Purchaser from Tenant(s) from years six through fifteen after the issuance of the initial certificate of occupancy, which shall be paid upon receipt by Purchaser.

- (c) Seller shall receive no percentage rent (i) once the Incremental Purchase Price has been paid, and (ii) following the expiration of the 15-year period described in paragraphs (a) and (b) above.
5. Earnest money. Seventy-Five Thousand and No/100 Dollars (\$75,000.00) will be deposited into the escrow as earnest money within five (5) days after the execution of the Purchase and Sale Agreement. The earnest money shall be applicable to the Purchase Price. There shall be an additional deposit of Fifty Thousand and No/100 Dollars (\$50,000.00) upon approval of the initial ninety (90)-day feasibility review described in paragraph 6, which amount also shall be applicable to the purchase price. There shall be additional deposit of Seventy-Five Thousand and No/100 Dollars (\$75,000.00) upon approval of the second 90-day due diligence period described in paragraph 6, which amount also shall be applicable to our purchase price. After the 180-day feasibility/due diligence period, if this transaction fails to close under the Purchase and Sale Agreement due to Purchaser's breach of the agreement, then the earnest money shall be distributed to and retained by Seller as liquidated damages.
 6. Due diligence/feasibility period. Purchaser is acquiring the Property for development of a shopping center of approximately 375,000 square feet of retail space (the "Shopping Center"). Purchaser shall have a ninety (90)-day period within which to conduct appropriate feasibility studies with respect to the subject property including, without limitation, soil studies, physical site inspection, review of zoning, utilities, drainage, environmental and marketability studies, as well as title and survey review. Purchaser shall have an additional ninety (90)-day period to conduct additional due diligence with respect to the subject property, including acquisition of major commercial tenants, entitlements and economic feasibility studies. The periods will commence on February 1, 1996.
 7. Closing. The closing of Purchaser's acquisition of the Property shall occur upon the latter of (i) thirty (30) days following the expiration of the due diligence/feasibility period for the Property, as the same may have been extended, or (ii) thirty (30) days following the completion of the entitlement and remediation conditions set forth in paragraphs 11 and 12 below.
 8. Right of entry. During the due diligence/feasibility period, Purchaser and its authorized representatives, subject to Seller's security requirement, shall have the right to enter upon the Property in order to conduct due diligence studies and investigations.
 9. Documents. Within ten (10) days following the execution of the Purchase and Sale Agreement (but no later than February 1, 1996), Seller shall furnish Purchaser with a preliminary title report, together with legible copies of the documents referred therein. In addition, Seller shall make reasonably available to Purchaser copies of all documents, reports and studies in its possession pertaining to the parcel, including, but not limited to, surveys, environmental assessments, zoning studies, soils reports, site plans and the like in its possession, custody or control. If required by Seller, Purchaser shall execute an additional reasonable and customary confidentiality/nondisclosure agreement with respect to such materials, as well as matters obtained or learned pursuant to paragraphs 6 and 8.
 10. Approval. If Purchaser determines, in its sole and absolute discretion, that the subject Property is not completely suitable for its purposes, Purchaser may elect, at any time prior

to the expiration of the due diligence/feasibility period to terminate the contract to purchase the Property, in which event all earnest money (including any additional deposit), shall be returned to Purchaser.

11. Environmental remediation. The parties acknowledge that there could be environmental remediation activities necessary with respect to the Property. These remediation efforts could include soil and groundwater remediation. Such groundwater remediation could extend beyond the close of escrow and the development of the Shopping Center. Such remediation will be entirely the responsibility of the Seller as between Seller and Purchaser. Seller shall use its diligent efforts to accomplish such remediation. Such diligent efforts shall include the timely completion of the activities set forth on Exhibit A of the Purchase and Sale Agreement hereto. It shall be a condition of close that the required soil remediation for the Property be fully remediated (a) to the satisfaction of the lead governmental agencies having jurisdiction over such remediation of the Property, (b) so as to comply with all the lead governmental statutes, ordinances, codes or regulations presently existing or hereafter enacted prior to close of escrow and prior to the completion of remediation of groundwater if such remediation extends beyond closing, and (c) to the reasonable satisfaction of Purchaser, but not to a higher satisfaction standard than that of the lead governmental agencies. From and after the execution of the proposed Purchase and Sale Agreement, Purchaser and Purchaser's environmental consultants shall be given complete and unrestricted access to all current and future findings, results, plans, strategies and reports employed or obtained by Seller in connection with the remediation of the Property. In connection with the remediation obligations of Seller set forth in this paragraph (and the entitlement responsibilities of Seller set forth in paragraph 12 below), Seller shall use its diligent efforts to timely submit and obtain approval of all environmental-related reports or approvals required by governmental agencies having jurisdiction over the remediation of the Property in connection with the development of the Shopping Center.
12. Entitlements. It is recognized that the Property is part of the larger MD Site, which is being master planned by the Seller. It shall be Seller's responsibility to use diligent efforts to provide Purchaser before the close of escrow a completed and certified EIR, as required by CEQA, a completed and approved vesting tract and final subdivision map reparcelizing the Property as a separate legal parcel pursuant to the Subdivision Map Act and applicable city ordinances and regulations relating to the filing approval and recordation of subdivision maps (or as separate legal parcels per the Subdivision Map Act to accommodate separate tenants pursuant to the approved site plan), zoning of the Property for use as a Shopping Center as described herein and City-approved engineering plans for rough grading sewer and water, utilities, storm drains and street improvements for Seller's master plan, including the use of the Property as the Shopping Center by Purchaser. It shall be Purchaser's responsibility to prepare all architectural and engineering plans for parcelization of the 36-acre site into specific tenant parcels, pads, etc., and to obtain actual building permits for improvements on the Property (e.g., grading, street improvement, civil engineering, building and signage permits and fees) for the Property itself authorizing construction of the Shopping Center once Seller obtains all zoning and other approvals (including approvals needed to effectuate the site plan approved by the Purchaser and Seller) authorizing the use of the Property as the Shopping Center in accordance with Purchaser's approved site plan. Such diligent efforts by Seller shall include the activities set forth on Exhibit A to the Purchase Agreement. Purchaser shall reasonably cooperate with Seller in connection with entitlements and approvals for the Property, including

furnishing a proposed site plan for development of the Shopping Center within 30 days following execution of the letter of intent. It is recognized that the site plan will be modified and amended from time to time as tenants commit to the Shopping Center, or as otherwise required by the City, all at Purchaser's expense. Upon formal submission of Purchaser's site plan to the City, Purchaser shall also submit such other plans and documentation as required by City rules and regulations. Seller and Purchaser shall reasonably cooperate in finalizing the site plan for the Shopping Center (including Seller's reasonable approval of architecture), with the goal of coordinating Purchaser's Shopping Center development needs, with the overall development of the MD Site. Seller shall have the right to approve the site plan proposed by Purchaser, but Seller shall not unreasonably withhold or delay its consent to such site plan.

13. Off-site improvements. Seller shall be responsible for providing and paying for all off-site improvements, including but not limited to trunk lines of sewer, storm drain, water, public streets (including curb and gutter thereon), electrical, telephone and gas, and public traffic signals necessary for the operation of the contemplated Shopping Center. Such off-site improvements shall not be required to extend beyond the curbs of the streets bordering the Property and it shall be Purchaser's responsibility to stub out to the trunk lines up to the curbs and to effectuate the utility connections. Purchaser shall be responsible for all parking lot lighting and landscaping, as well as landscaping, street lights and sidewalks between the property line and the curbs. Purchaser shall reimburse Seller up to \$106,777.38 for Seller's off-site costs, less 50% of the cost of sidewalks and street lighting situated between the property line and the curbs, which net amount shall be added to the purchase price. Such Seller off-sites shall be completed by the time reasonably required to accommodate Purchaser's development schedule.
14. Condition of site - demolition. Seller shall deliver the Property in a rough-graded condition. The demolition and removal of all existing structures, including foundations to a depth of four feet (and the expense thereof), shall be the responsibility of Seller. Seller and Purchaser shall mutually decide whether it would be more economical for Seller to grind and store any portion of the demolished materials for Purchaser instead of removing them. Such demolition and grading shall be completed by close of escrow.
15. Compensation for failure to achieve remediation or entitlement or demolition by agreed date. It is acknowledged by Seller and Purchaser that Purchaser is intending to purchase the Property to develop the Shopping Center, which will include one or more major anchor tenants ("Tenant(s)"). In connection with such development, it is recognized that Purchaser will need to agree and commit to providing suitable premises to such Tenant(s) in time to commence construction for such Tenant(s) on or before January 9, 1998. It is further acknowledged that if the Property is not available for commencement of construction for such Tenant(s)' premises, by reason of the noncompletion of the environmental remediation, entitlement, Seller's off-site improvements or demolition activities contemplated by paragraphs 11 through 14, Purchaser will suffer potential business reputational and legal losses and detriment. In consideration of such potential losses and detriment, Seller shall pay Vestar Two Hundred Thousand and No/100 Dollars (\$200,000.00), plus the agreed additional amount to cover all investigation and due diligence costs, expenses and time incurred by Vestar of an additional One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) (which time, cost and expense will not require documentation or verification), as liquidated damages in the event that, despite Seller's diligent efforts, the remediation (except for required ongoing groundwater

remediation), entitlement, off-site construction or demolition by Seller is not completed by January 1, 1998 or, as to off-site construction, such other date as reasonably required to accommodate Purchaser's development schedule. The time period set forth in this paragraph (as well as paragraph 16) shall be extended for a number of days equal to (a) force majeure, (b) the number of days it takes for a governmental agency to approve a completed application submitted by Seller above the number of days such agency is specifically required to act on such application per the written statutes, rules or regulations governing such agency, and (c) the delay occasioned by any modification of plans or unreasonable delay of Purchaser, which directly and principally causes a delay in satisfying the applicable time period. Seller shall be entitled to receive from Purchaser, one copy of all plans, studies and documents prepared to such date for which Seller shall be deemed to have paid Purchaser by virtue of the liquidated damages payment described above.


16. Termination. In the event that Seller is more than 60 days behind schedule for the activities set forth on Exhibit A in the Purchase Agreement, Purchaser shall have the right to terminate the Purchase and Sale Agreement, in which event all earnest money (including any additional earnest money) shall be returned to Purchaser.
17. City payments in connection with development of the Property. Seller and Purchaser shall reasonably cooperate with one another in endeavoring to negotiate a transaction with the City of Los Angeles whereby the City pays consideration for real property or other rights attributable to the development of the Shopping Center (irrespective of whether the real property or other rights are part of the Property) and/or where such consideration is measured by sales tax, property tax increment, utility user taxes and/or business license taxes deriving from construction of the Shopping Center and sales from, and operation of, the Shopping Center. It is agreed that Seller and Purchaser shall split any City proceeds of such transaction or transactions applicable to subject property 50% each, except as set forth in paragraph 4 above. Such sharing shall not include any payments by the City of Los Angeles based solely on development of the MD Site for matters other than the Shopping Center.
18. Survey. Within 45 days after the execution of the Purchase and Sale Agreement, Seller shall, at its expense, deliver to Purchaser a current ALTA survey of the Property to be made by an engineer or a surveyor acceptable to Purchaser and the escrow agent to enable the escrow agent to issue an ALTA extended coverage owner's policy (the "Survey") showing the location of all fences, easements, rights-of-way, improvements, encroachments and setting forth the net square footage of the Property as described in paragraph 4 above. Such survey shall be updated by Seller two weeks prior to closing to determine the net square footage, as described in paragraph 4 above.
19. Title insurance and deed. The Property shall be conveyed to Purchaser at the applicable closing by grant deed, free and clear of all monetary encumbrances and subject only to such exceptions to title as have been approved or waived by Purchaser. Seller shall deliver to Purchaser an ALTA extended coverage policy of title insurance for the full amount of the Purchase Price. Purchaser, however, shall pay the difference between the cost of a standard coverage policy and the ALTA extended coverage policy of title insurance and such endorsements as Purchaser deems advisable.

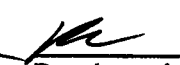
20. Escrow agent. The escrow agent (and title insurer) shall be Chicago Title or First American Title Insurance Company of California or such other reputable and financially adequate title company as is mutually, reasonably agreeable to Purchaser and Seller.
21. Brokers. Seller shall be responsible for the following finder's fee to The Seeley Company with respect to the purchase of the property. The base finder's fee shall be \$195,000. In addition, The Seeley Company shall receive 1-1/2% of all payment of the incremental purchase price set forth in paragraph 4(c) above up to an additional \$45,000. Seller agrees to defend, indemnify and save harmless Purchaser from any commission claim of The Seeley Company up to the amount of the above-described payment. The parties shall indemnify one another from any other broker claims arising from their conduct.
22. Prorations and adjustments. Real property taxes, assessments, common area maintenance expenses (if applicable), rents and any other customary items shall be adjusted and prorated between Purchaser and Seller as of the closing.
23. Closing costs. Seller shall pay the recording fee for the grant deed, any transfer taxes and one-half (1/2) of the escrow fee. Purchaser shall pay for one-half (1/2) of the escrow fee and any recording fees pertaining to financing obtained by Purchaser. Purchaser and Seller shall each bear the costs and expenses of their respective attorneys, accountants, consultants and engineers.
24. Assignment. Purchaser shall not assign the Agreement of Purchase and Sale without the approval of Seller, which approval shall not be unreasonably withheld. However, Purchaser shall be permitted to assign the Agreement of Purchase and Sale without Seller's approval to any entity which is wholly owned by an affiliate of Purchaser (i.e., wholly owned by the same shareholders as Purchaser) or any entity wholly owned by Purchaser (or an affiliate of Purchaser) and an affiliate of Ameritech Pension Trust.
25. Information. In the event Purchaser defaults, Purchaser will provide Seller, for its information, with one copy of all plans, studies and documents prepared in connection with this project.
26. Financial capability condition. By the end of the due diligence/feasibility periods set forth in paragraph 6 above, Purchaser will provide sufficient evidence to Seller reasonably evidencing the financial capability of Purchaser to complete this transaction.
27. The January 9, 1998 date for demolition and rough grading set forth in paragraph 15 will be deemed satisfied if Seller completes rough grading of the Wal-Mart site by January 9, 1998 and completes demolition and rough grading of the rest of the property by February 9, 1998.

Tom, the foregoing sets forth the business terms for our proposed purchase of the Property. Naturally, we both recognize that the parties will need to negotiate and include various additional provisions in a comprehensive Purchase and Sale Agreement for the Property. Accordingly, the parties agree that the legal effect of this agreement shall be limited to the following agreed obligations.

1. Purchaser and Seller agree to negotiate diligently, exclusively and in good faith during the next 60-day period (the "Negotiation Period") to arrive at a mutually agreeable Purchase and Sale Agreement for the purchase of the Property to be prepared by Seller incorporating the above-described terms of this transaction and such additional provisions as either party may propose not inconsistent with the above-described terms.
2. Purchaser and Seller agree that, in the event Seller fails to enter into the Purchase and Sale Agreement and such failure constitutes a breach of Seller's obligation under this paragraph, Seller shall pay Purchaser the sum of One Hundred Sixty-Seven Thousand and No/100 Dollars (\$167,000.00) as liquidated damages for all loss suffered by Purchaser pertaining to the transaction contemplated by this letter. Purchaser and Seller agree that the amount of damages that will be suffered by Purchaser in the event of such a breach by Seller are extremely difficult and impracticable to determine and that the foregoing amount of liquidated damages is agreed to be a reasonable estimate of such damage to Purchaser. In addition, the Purchase and Sale Agreement will contain provisions regarding the liquidated damages described in paragraph 15 above, which amount will increase on a per diem basis of One Thousand Sixteen and 77/100 Dollars (\$1,016.77) from One Hundred Sixty-Seven Thousand and No/100 Dollars (\$167,000.00) on the date of execution of the Purchase and Sale Agreement to Two Hundred Thousand and No/100 Dollars (\$200,000.00), plus One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) agreed amount for payment of the investigation and due diligence costs, expenses and time incurred by Vestar on and after the expiration of the one hundred eighty (180) day feasibility and due diligence periods.
3. For a period of three years from and after the execution of this agreement, Purchaser shall not be involved in the development of any Wal-Mart-based shopping center site within three miles of the Property. Notwithstanding the foregoing, Purchaser shall have the right to develop a Wal-Mart-based shopping center on the adjacent Lockheed Martin site, provided that the transaction contemplated by this letter is closed. It is, further, provided, that, in the event the Purchase and Sale Agreement contemplated by this letter agreement is not mutually executed within 60 days from the date hereof (or such later date as mutually agreed by the parties), the restrictions set forth in this paragraph shall be null and void.

APPROVED:


Seller's
Initials


Purchaser's
Initials

* * * * *

OK 11/15/96

1-8-96

Mr. Thomas A. Overturf
Mr. Stephen J. Barker
McDonnell Douglas Realty Company
December 22, 1995
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The foregoing agreement is effective this 8th day of January, 1996. If the foregoing is acceptable, please sign below to acknowledge your consent.

Very truly yours,

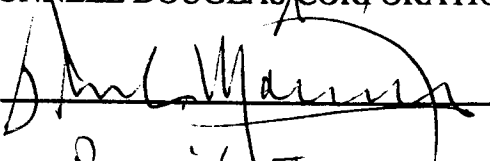
VESTAR DEVELOPMENT CO.

By 
Richard J. Kuhle

Its Senior Vice President

CONSENTED AND AGREED TO:

McDONNELL DOUGLAS ^{Realty} CORPORATION

By  ^{MR}
Its President _{1.8.96}

RJK/ss

cc: Michael P. Russell @ The Russell Company, via facsimile (310) 821-7626
Bill Bauman @ The Seeley Company, via facsimile (310) 787-6869